The crisis brought about by Southern Rhodesia's Unilateral Declaration of Independence on 11 November 1965 has expanded far beyond the borders of Zambia and Rhodesia. There is increasing likelihood that Zambian and UK actions to bring down the rebel government of Ian Smith migh precipitate a complete economic break between Zambia and Rhodesia. This would have very serious economic consequences not only for Zambia and the UK, but for much of the industralized West as well. Present economic relations between Zambia and Rhodesia are nearly on a "business as usual basis," however, African emotional envolvement in the UDI question is high and pressures on the UK to bring down the Rhodesian government by economic and military sanctions are increasing.

The problem has three important aspects: 1) the vulnerability of Zambia to Rhodesian Sanctions, 2) the importance of Zambian copper to the Free World, and finally 3) the vulnerability of Rhodesia to economic sanctions.

The Zambian economy is uniquely vulnerable to Rhodesian countermeasures. Zambia's vital copper industry is wholly dependent on coal, electric power and transport supplied by Rhodesia. The country as a whole gets 93% of its electric power from Rhodesia -- the balance comes from Katanga. About 68% of this power is generated at the jointly-owned Kariba dam astride the Zambezi River which forms the boundry between the two countries. The Kariba generating facilities, however, are all located on the southern bank of the Zambezi

and are controlled physically by Rhodesia. It is this facility which Zambian President Kaunda insists British troops occupy. The UK has thus far refused to agree to what would be an invasion of Rhodesia.

Coal for Zambian thermal plants, for smelting copper, for the railroad in Zambia and various other industrial uses all comes from Rhodesia's Wankie coal fields southeast of Livingston. Last year Zambia used more than 1 million tons of this coal. There is now considerable interest in developing Zambia's Kandabwe coal deposit as substitute to Wankie coal but we do not believe this to be a realistic alternative. The quality is very low and we are not at all certain that it can be used for steam locomotives, thermal power plants or

perhaps even in copper smelting furnaces.

Access to the Indian Ocean ports of Portuguese Mozambique via the railroad through Rhodesia is absolutely essential to the uninterrupted production of Zambian copper. Last year about 2 million tons of goods moved over the Rhodesian Railroad system into Zambia and a like amount was shipped out. If, for whatever reasons, Rhodesia were to halt the flow of electric power, cease shipments of Wankie coal, and deny Zambia transit rights through Rhodesia the modern sector of Zambia's economy, including copper mining, would be brought to an almost immediate halt. Copper production would cease. Short of physically occupying Rhodesia, it would be virtually impossible, by airlift or other high-cost emergency transportation measures, for the Western Powers to

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supply enough goods to meet even Zambia's minimum needs and a level of imports necessary to maintain copper production would be out of the question. To develop adequate alternate land transport routes to Zambia would be a matter of several years time and considerable outlay.

We estimate that about 900,000 tons of emergency imports would be required to keep the Zambian economy on a care and maintenance basis only with no copper being produced. The three alternative transport routes theoretically available to Zambia would be through Tanzania, Congo (Leo), and Portuguese Angola. We estimate that about 300,000 tons of goods annually could be moved each way through Tanzania. In the first instance port capacity at Dar es Salaam (200,000 tons) and Mtwara (100,000 tons) is the limiting factor. Goods could

move from Tanzania to Zambia via the East African Railway to Kigoma to Lake Tanganyika where they would be transloaded into barges and ferried to the port of Albertville in theCongo and thence by the Congo railroad system to Ndola. Shipments could also be trucked along the Great North Road. Plans for an emergency airlift call for flying goods from the airport at Dar es Salaam to Ndola. However, the capacity of this airlift would be limited to about 100,000 tons annually [redacted] This airlift capacity is not, however, additional to the 300,000 tons we estimate as the maximum which can be moved through East Africa but a part of it.

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The second alternative transport route is through the Congo (Leo) via the Katanga system (BCK) and CNL, the so-called route nationale. This would involve transloading goods onto barges at the Kasia river port of Port Francqui. A second transloading from barges to the railroad would be required at Leopoldville for onward shipments to the Congo port of Matâdi. The capacity of this route we estimate at 100,000 tons per annum.

Theoretically Zambia would have access to the Benguela (CFB) system which transits Portuguese Angola to the port of Lobito. We estimate that the excess capacity of this line is about 600,000 tons per annum, 400,000 outbound and 200,000 tons inbound. However, the mining interests in Katanga would have first call on this line. Since Katanga now imports about 300,000 tons of Wankie

coal from Rhodesia annually in addition to 150,000 tons of general merchandise, it is apparent that the redirection of this Katanga traffic would more than use up all of the Benguela surplus inbound capacity (450,000 from the Congo verses 400,000 out ~~in~~bound for the Benguela). A similar situation obtains for outbound ~~inbound~~ Benguela capacity.

Thus it is clear that no combination of alternative transport can fully meet the 900,000 tons per annum minimum needs of Zambia. At best 400,000 tons could be carried leaving a deficit of 500,000 tons.

COPPER

The Zambia-Rhodesia confrontation assumes world-wide economic importance because of Zambia's position as the Free World's second largest copper producer,

the US is first. For nearly two years copper has been in very tight supply. Efforts by the world's copper companies to increase production have failed to keep pace with consumption and prices have risen substantially on the open market. As a result neither producers nor consumers have been able to build up substantial reserve stocks. The only important copper stocks in the Free World is the US strategic stockpile and even this has been drawndown markedly in recent months. At the end of last June, the stockpile was about 1 million tons now it is less than 600,000 tons. Releases were made to supply needed copper to US defense industries and for coinage. The stockpile is now less than half of the US annual consumption.

The elimination of Zambian production, expected to reach 760,000 tons

this year, would be extremely serious. While the US does not depend on Zambian copper -- we import from Chile and Canada -- many Western European nations and Japan to. Last year imports of Zambian copper accounted for 45% of UK copper imports, 20% for West Germany, 27% for Sweden and a like amount for Italy. A striking 65% of Japanese primary copper imports came from Zambia.

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Rhodesian Vulnerability

The economy of Rhodesia is surprisingly well balanced -- almost a miniature of South Africa. As a result, we believe that Rhodesia can weather the impact of sanctions announced by the UK and other countries thus far. Very likely Rhodesia could survive a complete break with the United Kingdom. The trade ban announced by the UK could be troublesome for Rhodesia, but sterling restrictions adopted thus far are relatively ineffective. This is largely because Britain continues to handle the financial transactions generated by continued Zambian-Rhodesian trade. We do not, however, rule out the possibility of further excalation, with a series of measures and countermeasures by both sides, which could halt such trade.

If a world-wide embargo could be imposed it would be a most effective measure. However, the international experience with Free World sanctions taken against Communist China during the Korean War shows that air-tight sanctions are almost impossible to impose and are often circumvented. Harsher sanctions against Rhodesia would probably be largely offset by aid from South Africa, Portugal and perhaps other countries. A effective world-wide embargo against Rhodesia would require a naval and air blockade of southern Africa, including South Africa and Portugues African territories. Furthermore, even during the Korean War we did not mount a blockade against North Korea. A blockade, even if the necessary ships and planes were available, would be enormously expensive.

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